

ANNUAL REPORT
FOR THE
YEAR ENDING
MARCH 30, 1957

FIRST NATIONAL STORES

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FIRST NATIONAL STORES INC.

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RALPH F. BURKARD

JOHN L. MACNEIL

ADRIAN O'KEEFFE



Workers in new fast-growing industries such as jet aircraft and electronics are served by our supermarkets as illustrated by the new one in New London, Conn., which helps to feed the men who are building the world's first atomic powered submarines.

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

Somerville, Massachusetts, June 3, 1957

Sales for the fiscal year ending March 30, 1957 reached a new high of \$507,361,437 as compared with \$491,667,908 for the previous year, an increase of \$15,693,529.

Earnings, after Lifo inventory adjustment, were \$8,039,041 or \$4.91 for each share of our stock. In the previous year our earnings were \$8,071,326 after Lifo inventory adjustment and flood losses, and were \$4.93 per share.

Dividends totaling \$2.50 per share were paid on the common stock outstanding — including four quarterly dividends of 50c per share and a special year-end dividend of 50c per share. In the previous year dividends of \$2.40 per share were paid.

The following is a brief summary of our operations:

	<i>For the Fiscal Year Ending</i>	
	<i>March 30, 1957</i>	<i>March 31, 1956</i>
Retail store sales	\$507,361,437	\$491,667,908
Net earnings after taxes	\$ 8,039,041	\$ 8,071,326
Per share of common stock		
After taxes and before Lifo adjustment and flood losses	\$5.02	\$5.17
Lifo inventory adjustment	—.11	—.03
Flood losses	—	—.21
Total	<u>\$4.91</u>	<u>\$4.93</u>
Net working capital (current assets less current liabilities)	\$ 19,595,027	\$ 15,149,600
Fixed or property assets (less depreciation)	46,339,902	39,728,331
Stockholders' equity (net worth)	67,883,971	59,872,126

On the center pages are graphic charts showing the results of our operations for the past thirty-one years. The per share earnings chart gives effect, for all years, to the 2-for-1 stock split in 1951.

Architecturally in harmony with a long-settled New England suburban community, this new Hingham supermarket has become a favorite with shoppers on the South Shore of Massachusetts.



Earnings were charged with depreciation totaling \$6,820,565 which, after taxes, is equivalent to \$2.21 per share on the common stock as compared to \$5,920,741 or \$1.89 per share in the prior year.

We are pleased to report the allowance by the United States Treasury Department of our company's claims for refund of income taxes for the years 1942 to 1953 inclusive, based on the Lifo method of valuing inventory. The tax refund has been received and, after all the necessary book adjustments were made, a net amount of \$4,065,649 was credited to earnings employed in the business account as shown in detail in Note 1 of the Notes to Financial Statements in this report.

Capital expenditures totaled \$13,986,184 for the fiscal year and were financed from the year's provision for depreciation, retained earnings and also in part from the cash received in settlement of our claims for refund of prior years' federal income taxes in connection with Lifo.

The company is in strong financial condition. At the year end there were no loans outstanding. Working capital was \$19,595,027, an increase of \$4,445,427 over the prior year end. Stockholders' equity increased \$8,011,845 and is now \$67,883,971.

Over a period of many years the company has utilized a substantial part of its retained earnings for capital expenditures for fixed assets. In order to reflect more properly the ratio of our investment in fixed assets to the common stock, \$25,000,000 has been transferred from "Earnings Retained in the Business Account" to "Common Stock Account."

During the year the company opened 24 new supermarkets. Thirty-two supermarkets were remodeled or enlarged during this period. Seventy-eight small-volume stores, including 15 inadequate supermarkets, were closed. At year end we were operating 607 stores, 340 of them supermarkets. We are continuing the development of new stores and the modernization of existing stores. Twenty new supermarkets are planned for opening in the current fiscal year and a substantial number of stores will be remodeled or enlarged. These units will incorporate all the recent advances in operating facilities and techniques.

There are now 15,500 men and women in the First National Stores organization. Their continued fine performance is greatly appreciated by the management.

ADRIAN O'KEEFFE,
President

ANNUAL MEETING—PROXIES

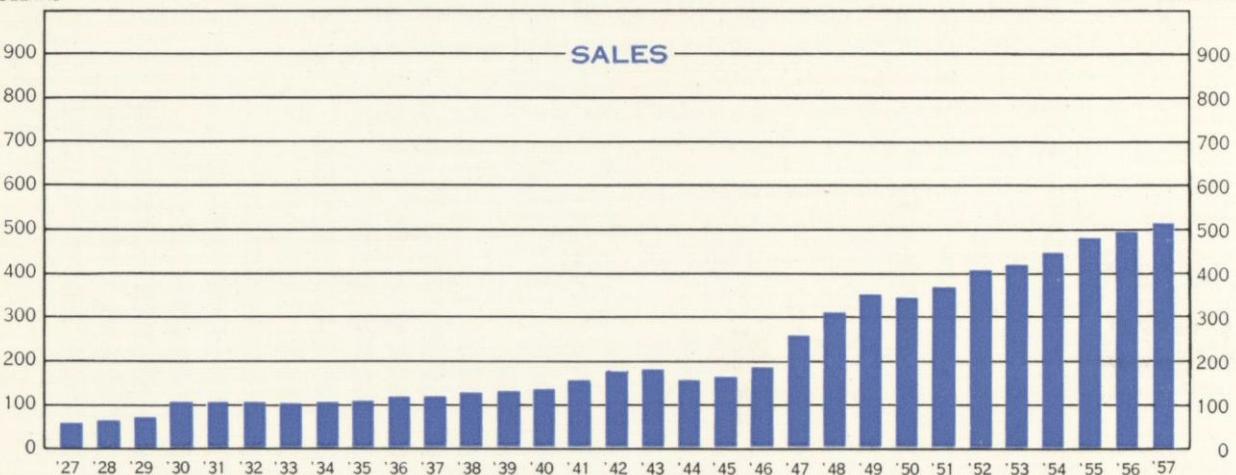
A notice of the annual meeting of stockholders, proxy statement and proxy accompany this report. Stockholders ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your company considerable time and expense.



A large new First National supermarket carrying a wide variety of merchandise is located in New Hampshire's capital city of Concord.

MILLIONS OF
DOLLARS

MILLIONS OF
DOLLARS

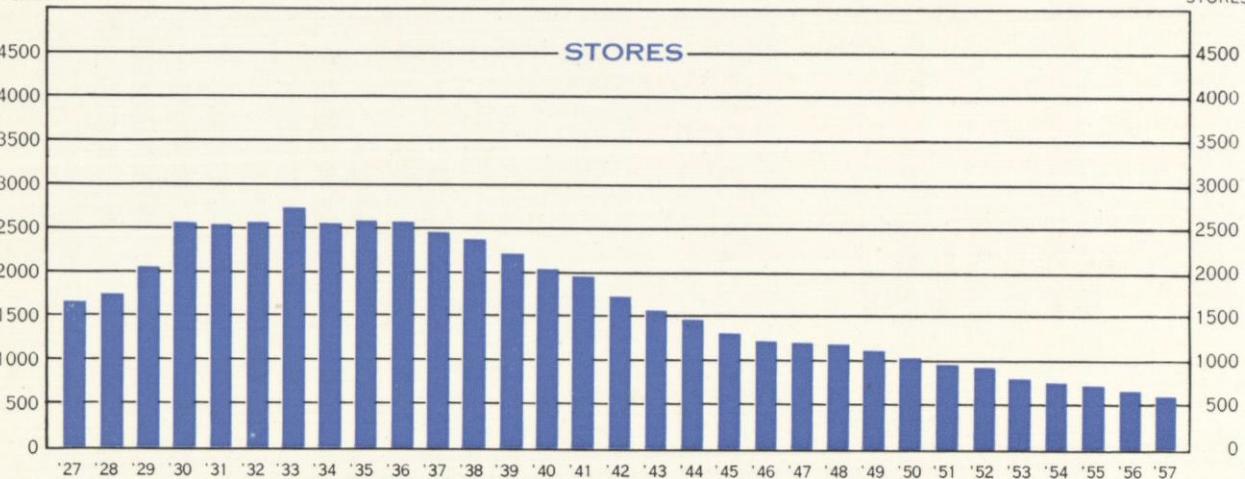


Retail Stores Sales — Fiscal Years

1927	\$59,038,304	1932	\$107,634,383	1937	\$120,682,961	1942	\$174,378,932	1947	\$256,506,910	1952	\$406,773,153
1928	64,445,962	1933	100,892,947	1938	124,294,617	1943	187,839,592	1948	315,915,554	1953	424,521,672
1929	75,884,639	1934	105,812,781	1939	124,222,955	1944	164,924,978	1949	354,444,614	1954	442,180,165
1930	107,635,216	1935	111,323,463	1940	131,041,157	1945	170,236,678	1950	344,171,022	1955	470,628,572
1931	108,196,686	1936	119,575,417	1941	142,680,921	1946	182,131,241	1951	371,853,140	1956	491,667,908
										1957	507,361,437

STORES

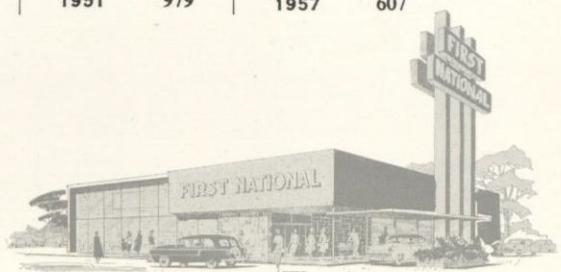
STORES

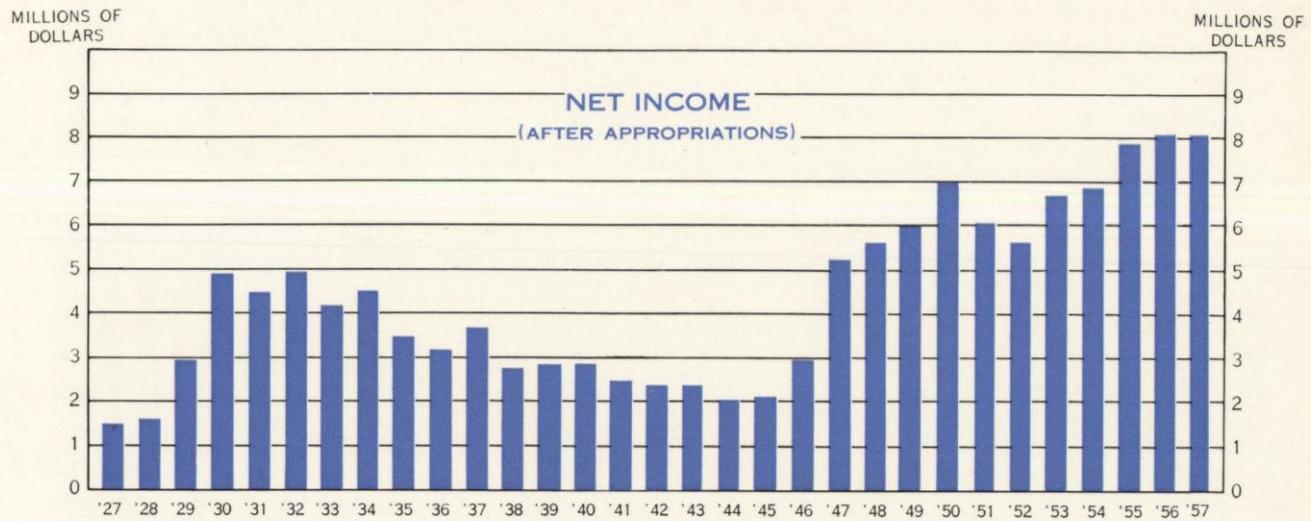


Stores — Fiscal Years

1927	1681	1932	2546	1937	2473	1942	1748	1947	1201	1952	922
1928	1717	1933	2705	1938	2350	1943	1585	1948	1150	1953	847
1929	2002	1934	2653	1939	2244	1944	1463	1949	1083	1954	761
1930	2549	1935	2623	1940	2137	1945	1340	1950	1033	1955	702
1931	2548	1936	2556	1941	1923	1946	1236	1951	979	1956	661
										1957	607

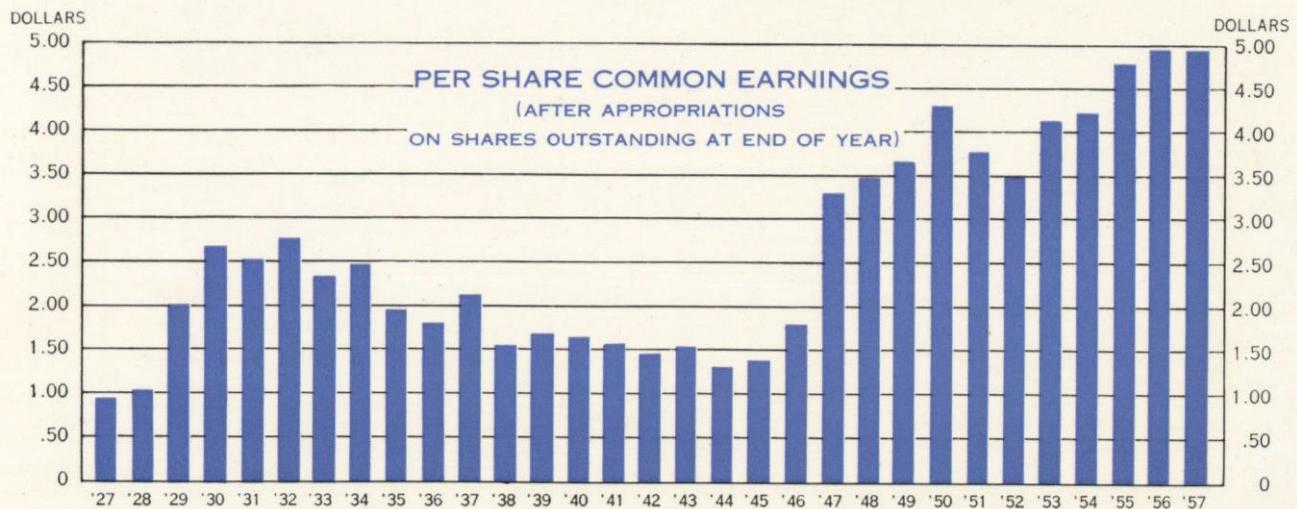
A new landmark on one of the most heavily traveled stretches of road in the world, this Medford, Mass., First National has gained repute as one of the region's most outstanding shops; won the community's approbation for its mural painting of shipbuilding, honoring Medford's oldest industry.





Net Income — Fiscal Years

1927	\$1,492,193	1932	\$4,825,611	1937	\$3,647,001	1942	\$2,380,294	1947	\$5,357,235	1952	\$5,571,415
1928	1,593,358	1933	4,220,099	1938	2,705,191	1943	2,465,079	1948	5,629,705	1953	6,742,051
1929	2,904,884	1934	4,394,830	1939	2,774,366	1944	2,235,104	1949	5,905,880	1954	6,830,629
1930	4,773,446	1935	3,433,504	1940	2,739,074	1945	2,294,604	1950	6,997,980	1955	7,968,619
1931	4,479,108	1936	3,163,329	1941	2,508,719	1946	2,885,555	1951	6,134,530	1956	8,071,326

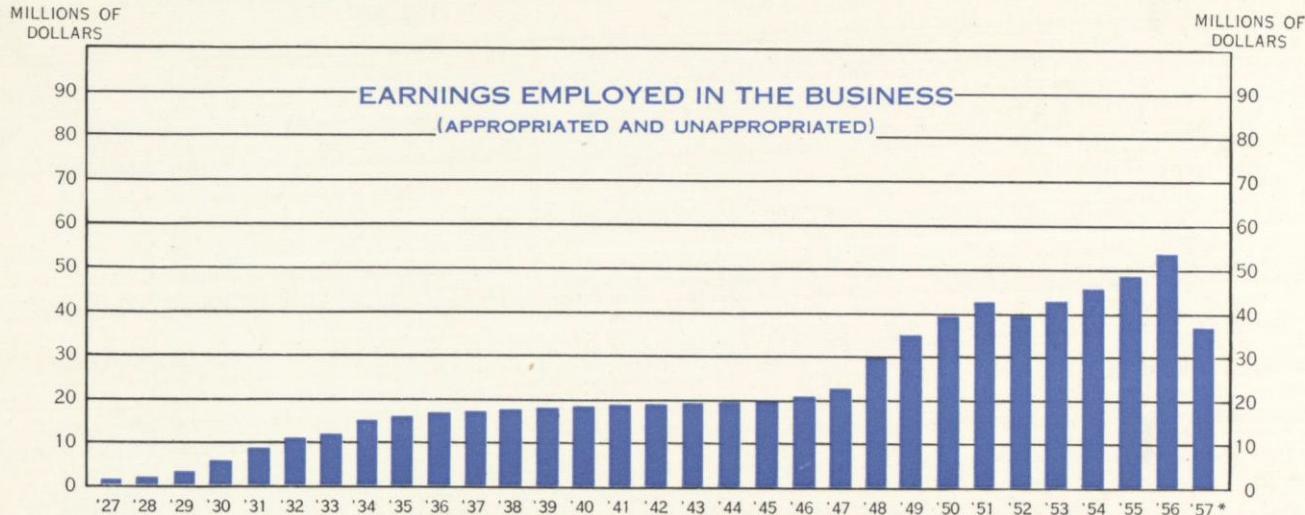


Per Share Common — Fiscal Years

1927	\$0.96	1932	\$2.76	1937	\$2.12	1942	\$1.45	1947	\$3.27	1952	\$3.40
1928	1.04	1933	2.39	1938	1.57	1943	1.51	1948	3.43	1953	4.11
1929	2.04	1934	2.48	1939	1.69	1944	1.36	1949	3.61	1954	4.17
1930	2.69	1935	1.95	1940	1.67	1945	1.40	1950	4.27	1955	4.86
1931	2.52	1936	1.82	1941	1.53	1946	1.76	1951	3.74	1956	4.93



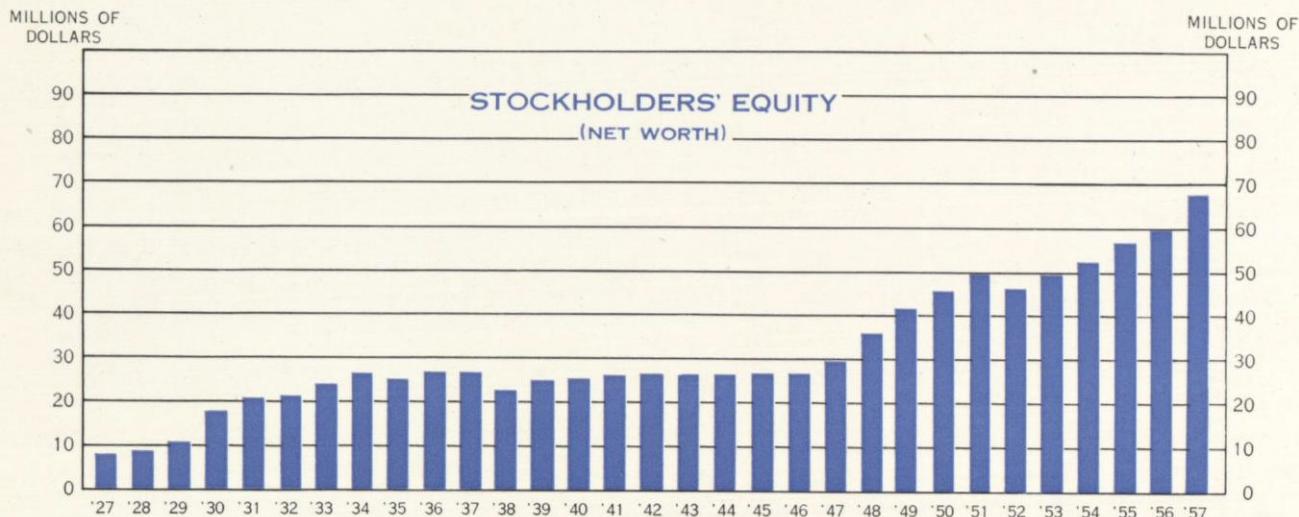
The shopping center is especially suited to the needs of the fast-growing residential areas on Long Island and First National is part of this modern retailing development, as in Syosset, on the Jericho Turnpike.



Earnings Employed in the Business — Fiscal Years

1927	\$1,996,375	1932	\$10,816,321	1937	\$16,670,118	1942	\$18,889,476	1947	\$23,235,669	1952	\$39,604,479
1928	2,238,303	1933	12,666,672	1938	16,688,036	1943	19,308,135	1948	29,189,624	1953	41,807,095
1929	3,987,782	1934	14,213,494	1939	17,423,131	1944	19,496,819	1949	34,350,171	1954	44,954,164
1930	6,369,726	1935	15,121,448	1940	18,112,565	1945	19,745,003	1950	38,483,159	1955	48,993,652
1931	8,371,910	1936	16,062,827	1941	18,572,964	1946	20,334,138	1951	41,752,697	1956	53,135,847

*Transferred \$25,000,000 to Common Stock Account.



Stockholders' Equity — Fiscal Years

1927	\$8,723,782	1932	\$22,793,743	1937	\$26,369,140	1942	\$25,625,755	1947	\$29,971,948	1952	\$46,340,758
1928	8,965,710	1933	24,644,049	1938	23,746,089	1943	26,044,414	1948	35,925,903	1953	48,543,374
1929	11,724,410	1934	26,190,916	1939	24,216,168	1944	26,233,098	1949	41,086,450	1954	51,690,443
1930	18,347,148	1935	24,820,470	1940	24,874,883	1945	26,481,282	1950	45,219,438	1955	55,729,931
1931	20,349,333	1936	25,761,849	1941	25,293,286	1946	27,070,417	1951	48,488,976	1956	59,872,126

And in the popular shopping center of Plainview in Morton Village, Long Island, this First National is the largest store.



FIRST NATIONAL STORES INC.

BALANCE SHEET

ASSETS

	MARCH 30, 1957	MARCH 31, 1956
CURRENT ASSETS:		
Cash	\$16,205,437	\$13,442,432
Accounts receivable	1,329,797	1,673,730
Inventories, on last-in, first-out cost basis, which is below market (Note 1)	29,477,583	27,459,460
Total current assets	<u>\$47,012,817</u>	<u>\$42,575,622</u>

FIXED ASSETS, at cost, less fully-depreciated assets:

Land	\$ 6,190,742	\$ 5,137,289
Buildings owned	28,281,268	25,752,631
Store fixtures, leased property improvements, machinery and equipment	43,136,825	36,018,627
Automotive equipment	2,930,673	2,236,154
	<u>\$80,539,508</u>	<u>\$69,144,701</u>
<i>Less — Depreciation</i>	34,199,606	29,416,370
	<u>\$46,339,902</u>	<u>\$39,728,331</u>

OTHER ASSETS AND DEFERRED CHARGES:

Claims for refunds of federal taxes on income (Note 1)	\$ —	\$ 2,950,000
Investment in wholly-owned subsidiary companies — at cost (represented by underlying net assets of \$1,075,309 in 1957, \$1,022,850 in 1956)	250,833	250,833
Prepaid insurance and other deferred expenses	2,232,435	2,480,107
Miscellaneous	55,698	60,911
	<u>\$ 2,538,966</u>	<u>\$ 5,741,851</u>
	<u>\$95,891,685</u>	<u>\$88,045,804</u>



First National pylons against the sky have been hailed as signs of progress in communities such as Beverly, Mass., a city world-famous for the products of its skilled artisans.

FIRST NATIONAL STORES INC.

BALANCE SHEET

LIABILITIES

	March 30, 1957	March 31, 1956
CURRENT LIABILITIES:		
Accounts payable	\$13,197,958	\$13,044,512
Owing to subsidiary companies	179,765	197,639
Accrued local and state taxes and other expenses	5,363,352	5,100,244
Federal taxes on income	8,676,715	9,083,627
Total current liabilities	<u>\$27,417,790</u>	<u>\$27,426,022</u>
RESERVES:		
For past service costs under retirement annuity plan	\$ 444,846	\$ 607,098
Miscellaneous operating reserves	<u>145,078</u>	<u>140,558</u>
	<u>\$ 589,924</u>	<u>\$ 747,656</u>
STOCKHOLDERS' EQUITY:		
Common stock:		
Authorized — 2,000,000 shares without par value		
Issued — 1,655,268 shares	\$31,977,422	\$ 6,977,422
Earnings employed in the business:		
Appropriated for contingencies	—	744,258
Unappropriated (in 1957, less \$25,000,000 transferred to common stock account), per accompanying statement	36,463,268	52,391,589
	<u>\$68,440,690</u>	<u>\$60,113,269</u>
Deduct — Common stock held in treasury — 18,114 shares (in 1957 — at cost)	556,719	241,143
Total stockholders' equity	<u>\$67,883,971</u>	<u>\$59,872,126</u>
	<u>\$95,891,685</u>	<u>\$88,045,804</u>

ACCOUNTANTS' OPINION

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.

In our opinion, the accompanying balance sheet and related statements of earnings and earnings employed in the business, with the notes thereto, present fairly the financial position of First National Stores Inc. at March 30, 1957 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the change in method of computing depreciation referred to in Note 2, which we approve) with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Boston, Massachusetts
May 17, 1957

PRICE WATERHOUSE & CO.

A fine residential community, Dedham, Mass., has been served by First National Stores for several decades, and this splendid new store, with large parking facilities, is located at the junction of two main highways.



FIRST NATIONAL STORES INC. STATEMENT OF EARNINGS

FISCAL YEAR ENDED
MARCH 30, 1957 MARCH 31, 1956

Sales and revenues:		
Retail store sales	\$507,361,437	\$491,667,908
Dividends received from wholly-owned subsidiary companies (net earnings for the year — \$116,321 for 1957, \$71,869 for 1956)	74,000	57,000
Other income	1,029	526
	\$507,436,466	\$491,725,434
Costs and expenses:		
Cost of sales, expenses, etc. (exclusive of depreciation)	\$483,695,573	\$467,455,294
Provision for depreciation of fixed assets (Note 2)	6,820,565	5,920,741
Interest expense	278,753	92,605
Net (gain) loss on disposal of fixed assets	(97,466)	72,242
Losses from floods	—	723,226
Provision for federal taxes on income	8,700,000	9,390,000
	\$499,397,425	\$483,654,108
Net earnings	\$ 8,039,041	\$ 8,071,326

STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

FISCAL YEAR ENDED MARCH 30, 1957

Balance, March 31, 1956	\$52,391,589
Net earnings for the year, per accompanying statement	8,039,041
Refund of prior years' federal taxes on income and interest thereon, related adjustment of inventories, etc. (Note 1)	4,065,649
Transfer from earnings appropriated in prior years for contingencies	744,258
Adjustment (to cost) of carrying value of common stock held in treasury	315,576
	\$65,556,113
Deduct:	
Cash dividends paid — \$2.50 per share	\$ 4,092,845
Transfer to common stock account of portion of earnings employed in the business	25,000,000 29,092,845
Balance, March 30, 1957	\$36,463,268

NOTES TO FINANCIAL STATEMENTS

NOTE 1: During the 1957 fiscal year the company received a net refund of federal taxes on income for the years 1942 to 1953, largely attributable to amendments in the method of application of the last-in first-out method of inventory valuation which were accepted by the Internal Revenue Service. The resulting amount of \$4,065,649 which has been credited to earnings employed in the business consists of the following:

Refund of federal taxes on income, \$4,016,193, less \$2,950,000 previously recorded on the books	\$1,066,193
Interest on refund, \$2,471,024, less \$1,368,126 of current federal and state income taxes thereon	1,102,898
Adjustment increasing the carrying value of inventories to the basis agreed upon with the Internal Revenue Service for the application of the last-in first-out method of valuation	1,896,558
	\$4,065,649

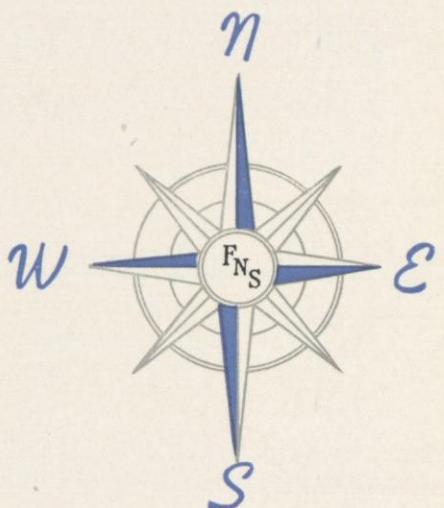
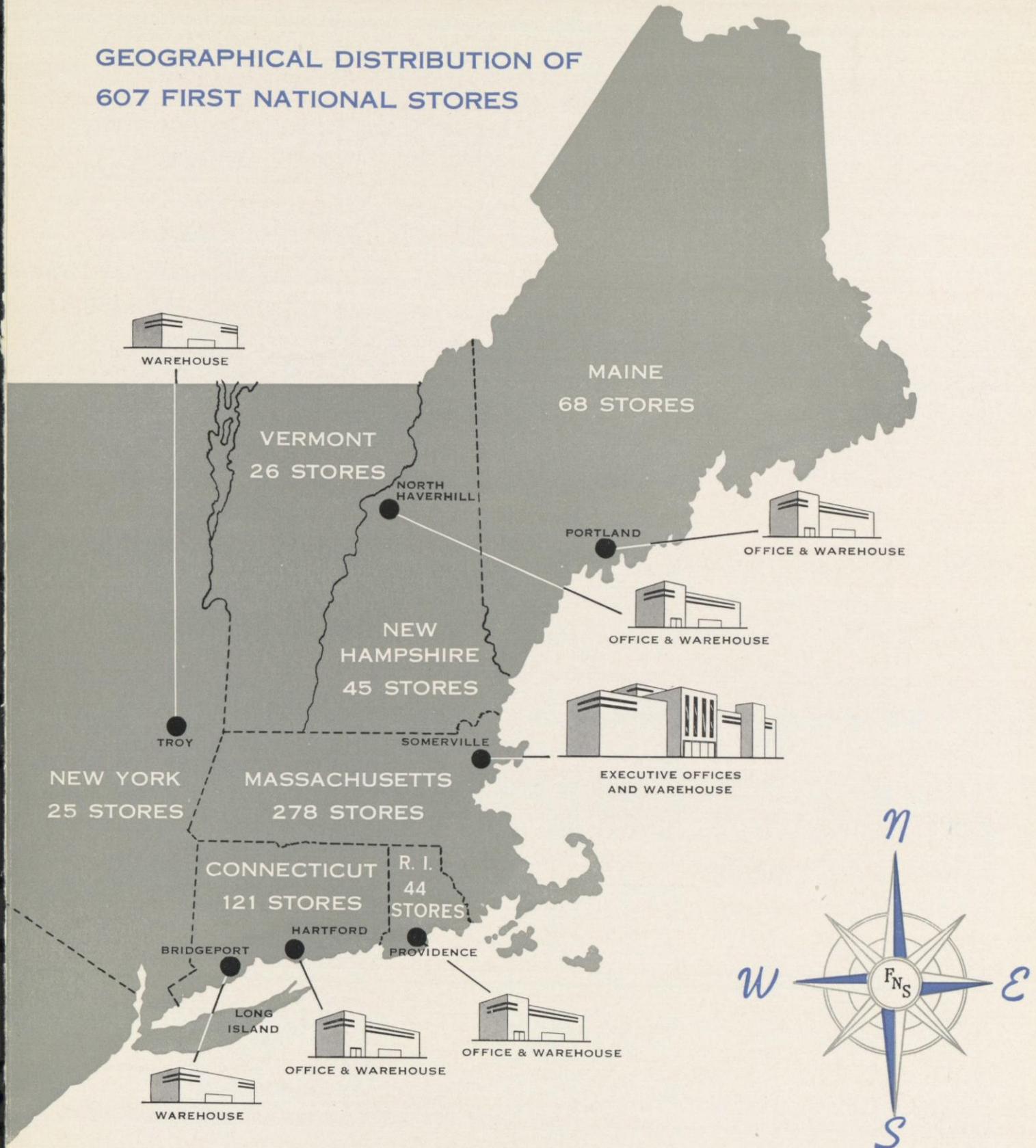
NOTE 2: For the year ended March 30, 1957 the company discontinued providing for accelerated depreciation on recent additions to warehouse buildings, store fixtures, machinery and equipment at the rate of 7½% for the year of acquisition and for the following year, and instead adopted the sum of the years-digits method of accelerated depreciation, heretofore used only for federal income tax purposes. For store buildings, the company also adopted the sum of the years-digits method for 1957 but continued to provide for additional accelerated depreciation computed on a basis heretofore used which is related to estimated fair rental values. Such additional accelerated depreciation on store buildings amounted to \$676,802 for 1957 and \$511,093 for 1956. The over-all effect of these changes on the total amount of depreciation provided and charged to earnings for the 1957 fiscal year, and on reported earnings for the year, is not material.

NOTE 3: At March 30, 1957 the company was obligated under 187 leases expiring after March 31, 1960. The aggregate of the minimum annual rentals under these leases is \$2,371,516 and the aggregate amount of rentals charged to earnings for the 1957 fiscal year under all leases was \$3,429,726.



This new Warwick, R. I., supermarket is part of a shopping development midway between growing population centers and on a direct highway from Providence to the Shore.

GEOGRAPHICAL DISTRIBUTION OF 607 FIRST NATIONAL STORES



TRANSFER AGENTS:

THE FIRST NATIONAL BANK OF BOSTON, BOSTON
CHEMICAL CORN EXCHANGE BANK, NEW YORK

REGISTRARS:

SECOND BANK-STATE STREET TRUST CO., BOSTON
BANKERS TRUST CO., NEW YORK, NEW YORK

44-1840
Sept. 22, 1944
28187